



**NORTHUMBERLAND COUNTY CAREER AND  
TECHNOLOGY CENTER**

**NORTHUMBERLAND COUNTY, PENNSYLVANIA**

**PERFORMANCE AUDIT REPORT**

**MARCH 2014**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Dennis Erdman, Chairperson  
Northumberland County Career and  
Technology Center  
1700-2000 West Montgomery Street  
Coal Township, Pennsylvania 17866

Dear Governor Corbett and Mr. Erdman:

We conducted a performance audit of the Northumberland County Career and Technology Center (Center) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period April 19, 2011 through August 14, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the Center complied, in all significant respects, with relevant requirements, except as detailed in one (1) finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with the Center's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the Center's operations and facilitate compliance with legal and administrative requirements. We appreciate the Center's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE  
Auditor General

March 20, 2014

cc: **NORTHUMBERLAND COUNTY CAREER AND TECHNOLOGY CENTER**  
Joint Operating Committee Members

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Northumberland County Career and Technology Center (Center) in Northumberland County. Our audit sought to answer certain questions regarding the Center's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the Center in response to our prior audit recommendations.

Our audit scope covered the period April 19, 2011 through August 14, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

### **Center Background**

According to Center officials the Center provided educational services to 111 secondary pupils and no post-secondary pupils through the employment of ten (10) teachers, four (4) full-time and part-time support personnel, and two (2) administrators during the 2011-12 school year. The operation, administration, and management of the Center are directed by a Joint Operating Committee (JOC), which is comprised of seven (7) members from the following school districts:

Mount Carmel Area  
Shamokin Area  
Line Mountain

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three-year term. The Center received \$267,323 in state funding in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found that the Center complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

**Finding: The Joint Operating Committee Continues Not to Have a Signed Employment Contract with their Executive Director.** Our audit of the Northumberland County Career and Technology Center (Center) found that, on June 29, 2011, the Center approved the hiring of an Executive Director. The Joint Operating Committee failed to execute a written, signed contract for the Executive Director (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the Northumberland County Career and Technology Center (Center) from an audit released on December 20, 2012, we found the Center had not taken appropriate corrective action in implementing our recommendations pertaining to the Joint Operating Committee failing to have a signed employment contract with the former Vocational Director, leading to a questionable arrangement that resulted in a payment totaling \$15,603 (see page 8).

We also found that the Center had taken appropriate action in implementing some of our recommendations pertaining to continued unmonitored intermediate unit system access and logical access control weaknesses (see page 9).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period April 19, 2011 through August 14, 2013, except for the verification of employee certification, which was performed for the period June 30, 2012 through July 19, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

While all LEAs have the same school years, some LEAs have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the Center's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Did the Center have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?

- ✓ Were there any declining fund balances that may pose a risk to the Center’s fiscal viability?
- ✓ Did the Center pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Did the Center take appropriate steps to ensure school safety?
- ✓ Did the Center have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the Center’s Joint Operating Committee members free from apparent conflicts of interest?
- ✓ Did the Center take appropriate corrective action to address recommendations made in our prior audit?

## Methodology

### *What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The Center’s management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Center is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the Center’s internal controls, including any information technology controls, as they relate to the Center’s compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as Joint Operating Committee meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the Center's operations.

To determine the status of our audit recommendations made in a prior audit report released on December 20, 2012, we performed additional audit procedures targeting the previously reported matters.



## Findings and Observations

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### Finding

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### The Joint Operating Committee Continues Not to Have a Signed Employment Contract with their Executive Director

*Criteria relevant to the finding:*

Section 1101 (relating to Definitions) of the Public School Code (PSC), 24 P.S. § 11-1101, provides for the following definition of “Professional Employee”: The term “professional employee” shall include those who are certified as teachers, supervisors, supervising principals, principals, assistant principals, vice-principals, **directors of vocational education**, dental hygienists, visiting teachers, home and school visitors, school counselors, child nutrition specialists, school librarians, school secretaries, the selection of whom is on merit as determined by eligibility lists, and school nurses.

Therefore, “director of vocational education” is one and the same as area vocational-technical school superintendent *cited* in 24 P.S. § 18-1801.1, is a “professional employee” under the PSC.

Section 1121 (relating to Contracts; execution; form) of the PSC, 24 P.S. § 11-1121, provides, in pertinent part:

In all school districts, all contracts with professional employees shall be in writing, in duplicate, and shall be executed on behalf of the board of directors by the president and secretary and signed by the professional employee.

Our audit of the Northumberland County Career and Technology Center (Center) found that on June 29, 2011, as noted in the approved Joint Operating Committee (JOC) meeting minutes, the Center approved the hiring of an Administrative Director (Executive Director). However, the JOC failed to execute a written, signed employment contract for the Executive Director.

The Public School Code (PSC) requires Center JOC members to provide administrative and operational monitoring of a center including oversight of related contracts for professional employees. The Center’s JOC failed to meet these duties by not providing a written, signed employment contract with the current Executive Director. This issue was also noted in the prior audit of the Center (see the Status of Prior Audit Findings and Observations, page 8).

Based on the requirements stated in the relevant criteria, a center’s JOC must initially enter into a written contract with the Executive Director (i.e. a superintendent or director of education). The JOC of the Center did not meet these obligations required under the PSC.

By having an employment contract with the current Executive Director regarding duties, compensation schedule, leave and benefits payable upon employment, separation or termination, the Center and the JOC can presumably address any future employment problems or questions that could arise between the two parties. The time to negotiate those terms is at the outset of the employment relationship by executing a written and signed contract to protect all involved parties.

*Criteria relevant to the finding  
(continued):*

Each board of directors in all school districts shall hereafter enter into contracts, in writing, with each “professional employee” initially employed by a school district, on or after June 30, 1996, who has satisfactorily completed three (3) years of service in any school district of this Commonwealth.

Therefore any contract with a career and technology center (Center) executive director must be signed, in writing, in duplicate, and must be executed on behalf of the Center board by the president and secretary.

## **Recommendations**

The *Northumberland County Career and Technology Center* should:

1. Ensure that employment contracts with current and future administrators are properly executed, and contain adequate provisions sufficient to protect the Center and participating districts in the event that the employment ends prematurely for any reason.
2. Ensure that all future contracts address the duties, responsibilities, benefits, and performance expectations between the JOC and an executive director.
3. Provide as much information as possible to the taxpayers of the participating districts of all details of the contract of the Executive Director.

## **Management Response**

Management stated the following:

“The Administrative Director will work with the Northumberland County Career and Technology Center Joint Operating Committee to develop an Administrative Compensation Plan.

A draft of a compensation plan has been forwarded to [name removed], NCCTC Board Chairperson, by [name removed], Administrative Director for JOC review on August 19, 2013.”

## **Auditor Conclusion**

While we are encouraged that the Center agrees with our finding, this is the second consecutive audit of the Center that includes this finding. We find it troubling that the Center continues to operate without a contract with its Executive Director. We will follow up on the issue during our next cyclical audit of the Center.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Northumberland County Career and Technology Center (Center) released on December 20, 2012, resulted in one (1) reported finding and one (1) reported continued observation. The finding pertained to the Center's Joint Operating Committee's failure to have a signed employment contract with the vocational director, and the continued observation pertained to unmonitored Center access into the Center's child accounting system. As part of our current audit, we determined the status of corrective action taken by the Center to implement our prior recommendations. We performed audit procedures and interviewed Center personnel regarding the prior finding and observation. As shown below, we found that the Center did not implement recommendations related to the finding and did not implement all recommendations related to the observation.

### **Auditor General Performance Audit Report Released on December 20, 2012**

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**Finding:**                    **The Joint Operating Committee Failed to Have a Signed Employment Contract with the Vocational Director, Leading to a Questionable Arrangement that Resulted in a Payment Totaling \$15,603**

Finding Summary:      Our prior audit found that on November 8, 2010, the Joint Operating Committee (JOC) of the Center entered into a General Release Agreement with the former Vocational Director effective November 10, 2010, resulting in participating districts paying \$15,603 to the former vocational director.

The administration and the JOC failed to provide a contract for the former vocational director.

Recommendations:    Our audit finding recommended that the Center should:

1. Ensure that future employment contracts with prospective administrators contain adequate termination provisions sufficient to protect the Center and participating districts in the event that the employment ends prematurely for any reason.
2. Ensure that all future contracts address reasons that the individual may be removed for just cause without compensation.
3. Provide as much information as possible to the taxpayers of the participating districts explaining the reasons for the termination of the former Vocational Director and justifying the Center's expenditure of public funds to satisfy the terms of the general release.

Current Status: During our current audit, we found that the Center did not implement our recommendations. The Center has entered into another agreement with the current Administrative Director without a contract. See the finding on page 6.

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**Observation: Continued Unmonitored Intermediate Unit System Access and Logical Access Control Weaknesses**

Observation Summary:

Our prior audit found that the Center used software purchased from the Central Susquehanna Intermediate Unit 16 (CSIU) for its critical student accounting applications (membership and attendance). The CSIU continues to have remote access into the Center's network servers.

Recommendations:

Our audit observation recommended that the Center:

1. Ensure that Center's Acceptable Use Policy includes provisions for authentication (password security and syntax requirements).
2. Establish separate information technology policies and procedures for controlling the activities of CSIU and have the CSIU sign this policy, and the Center should require the CSIU to sign the Center's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Establish a process for defining, raising, testing, documenting, assessing, and authorizing emergency changes to systems or programs that do not follow the established change process.

Current Status: During our current audit, we found that the Center did implement recommendations number 3 and 4 and are currently in the process of implementing recommendations number 1 and 2.

## **Distribution List**

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This report was initially distributed to the Center's Superintendent of Record, the Joint Operating Committee, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).